

COMMITTEE CHARTER

Audit and Risk Committee

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01/02/2011	1.1	Adopted
06/02/2015	1.2	Minor changes to wording
16/03/2017	1.3	Changes to format and design Minor changes to wording Strengthening of purpose Improved clarity of authority Inclusion of membership recruitment, appointment and remuneration provisions Inclusion of meeting quorum, conflict of interest and disclosure of information provisions
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18/06/2020	3.1	Review and rewrite to comply with <i>Local Government Act 2020</i> for internal consideration
04/08/2020	3.2	Minor revisions addressing feedback received during internal consultation
25/08/2020	4.0	For adoption by Council

1. Purpose

Alpine Shire Council (Council) has established an Audit Committee (Committee) as part of its good governance and accountability obligations to the community. The primary purpose of the Committee is to assist Council in the effective discharge of its responsibilities under the *Local Government Act 2020* by providing oversight, advice and guidance on Council's frameworks, systems and controls relating to:

- legislative and good governance compliance
- financial and performance reporting
- risk management
- internal and external audit.

The purpose of the Audit Committee Charter is to guide the operation of the Committee.

2. Mandate and authority

2.1 MANDATE

The Audit and Risk Committee has been established under section 53(1) of the *Local Government Act 2020* (the Act) and previously under section 139 of the *Local Government Act 1989*. The Act states that the Audit and Risk Committee is not a delegated committee (section 53(2)).

2.2 AUTHORITY

The Committee is an advisory committee and does not have any delegated powers, executive powers, management functions, or delegated financial responsibility.

The Council authorises the Committee, within its functions and responsibilities, to:

- discharge its functions and responsibilities under the Act and this Charter
- obtain any information it requires from management or an external party (subject to any legal obligation to protect information) as considered necessary to meet its responsibilities
- discuss any matters with the Victorian Auditor General's Office (VAGO), or other external parties (subject to confidentiality considerations)
- use its discretion to meet in camera with internal and external auditors
- request the Chief Executive Officer to obtain legal or other professional advice, at Council's expense, that it deems necessary to meet its functions and responsibilities
- request the attendance of councillors and Council officers, at Committee meetings
- seek resolution on any disagreements between management and the external auditors on financial and performance reporting
- seek resolution of any disagreement between management and the internal auditors on internal audit findings and recommendations.

3. Membership

3.1 COMPOSITION

The Committee will comprise of a minimum of five members as follows:

- no more than two councillors nominated and appointed by Council; and
- at least three or more independent persons.

The majority of Committee members must be independent members (section 53(3)(b)).

Council may nominate an alternate councillor to substitute for either of the two appointed councillors.

The Act (section 53(3)(c)) precludes employees of Council from being a member of the Committee.

3.2 EXPERTISE AND EXPERIENCE

The Act (section 53(b)) specifies that independent Committee members have, collectively, expertise in financial management and risk and experience in public sector management.

Further, the Committee should, collectively, possess sufficient knowledge and strategic skills in the areas of:

- audit
- governance
- control
- compliance.

It is preferable that at least one of the independent members should be a member of CPA Australia (CPA status), the Institute of Chartered Accountants Australia (CA status) and/or the Institute of Internal Auditors.

As the focus and responsibilities of the Committee respond to emerging needs and regulatory, economic, and reporting developments, members' competencies and the overall balance of skills on the Committee will be re-evaluated in the appointment of new and returning members.

3.3 RECRUITMENT

Independent members are recruited by way of publicly seeking expressions of interest.

The evaluation of potential independent members is undertaken by the Mayor, the Chief Executive Officer and the Director Corporate or their delegates as approved by the Chief Executive Officer.

The evaluation panel considers the expertise of candidates against the requirements of the Act and this Charter and recommends an appointment to Council.

The Council appoints all Committee members.

3.4 TERMS OF APPOINTMENT

The terms of appointment for each member will, where possible, be arranged to provide a rolling rotation of members to provide a satisfactory level of continuity.

Councillors

Councillor members will be appointed annually by the Council.

Independent members

Independent members will be appointed for an initial term of up to three years.

Independent members may, by application, be reappointed after the first term, with a maximum of three consecutive terms or nine years.

The terms of each independent member will, where possible, be arranged to provide an orderly rotation of membership and avoidance of more than two members being appointed or returned at the same time.

3.5 RESIGNATION, RETIREMENT OR TERMINATION OF APPOINTMENT

An independent member may resign or retire before the expiry of their term by notifying Council of their intention in writing.

In the event of an independent member resigning or retiring before the expiry of their term, the vacancy will be filled at the discretion of the Council provided the composition requirements of the Committee can be met.

If the resignation and/or retirement of two or more of the independent members coincide, the Council may extend one sitting member's term by one year to provide a level of continuity on the Committee.

The Council can terminate a member's appointment, if in the opinion of the Council, the member is not upholding the intent of this Charter and its principles. This includes absences from meetings without agreed valid reasons. If the Council proposes to terminate the appointment of a member of the Committee prior to the expiry of their term, written notice will be given to the member and the member will be given the opportunity to be heard at a meeting of councillors prior to the termination taking effect.

3.6 INDUCTION

New Committee members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

3.7 LIABILITY INDEMNITY

All members of the Committee are covered by Council's professional indemnity insurance for the service they undertake on the Committee.

3.8 CHAIR

The Chair of the Committee must be an independent member (section 53(4)).

The Committee will nominate and recommend a Chair to Council each year.

Council will formally appoint the Committee Chair.

In the absence of the appointed Chair at a Committee meeting, the Committee will appoint an acting Chair from the independent members present.

4. Principles

4.1 VALUES

The Committee will conduct itself in accordance with Council's values:

Accountable We are accountable and responsible for our decisions and actions, and the impacts of these on our community and the organisation.

Leadership We demonstrate leadership by being informed, applying innovative thinking and solutions and making fair and timely decisions in the best interest of our community and the organisation for now and the future.

Productive We are productive by focusing on delivering efficient and high-quality services and projects that respond to the needs and priorities of our community and the organisation.

Integrity We have integrity by being committed, truthful and transparent in our decision making and our interactions with our community and the organisation.

Nurture We nurture the relationships, contributions and strengths of our community and the individuals of the organisation.

Engaged We are engaged with our community, and within the organisation, to build strong and effective relationships and inform our choices.

4.2 CONFLICT OF INTEREST

Committee deliberations and recommendations must be transparent and accountable, to:

- protect the public interest
- maintain the integrity of the Committee and Council
- enable the public to be confident that the Committee is performing its duties properly.

Committee members must comply with Division 2 of Part 6 the Act with regard to the identification and management of general and material conflicts of interest.

Independent members will be required to complete and sign an Initial Personal Interest Return within 30 days of commencement of their initial term, and then a Biannual Personal Interests Return as required under the Act.

Committee members must disclose any conflicts of interest as and when they may arise and at the commencement of Committee meetings in relation to any matters listed on the meeting agenda. All officers providing reports to a Committee meeting will make a declaration in the agenda report in relation to conflicts of interest.

Failure to comply with the provisions of the Local Government Act 1989 and this Charter with regard to conflicts of interest and register of interests may result in prosecution and the member's appointment being terminated by Council.

4.3 MISUSE OF POSITION

The provisions of section 123 of the Act in relation to the misuse of position apply to Committee members. Members must not intentionally misuse their position to gain or attempt to gain, directly or indirectly, an advantage for themselves or for any other person, or cause, or attempt to cause, detriment to Council or another person.

The misuse of position provisions include:

- making improper use of information
- disclosing information that is confidential information
- exercising or performing (or purporting to) a power, duty or function that the member is not authorised to exercise or perform
- participating in a decision on a matter in which the member has a conflict of interest.

4.4 CONFIDENTIALITY

Confidential information is defined in section 3 of the Act.

Committee members must comply with the requirements of sections 53 and 125 of the Act in relation to confidential information.

Committee members must not intentionally or recklessly disclose information that they know, or should reasonably know, is confidential information and commit to ensuring the safekeeping and disposal of confidential information.

Independent members will be required to sign a Confidentiality Agreement upon commencement of their initial term.

Failure to comply with the provisions of the Act and this Charter with regard to confidentiality may result in prosecution and the member's appointment being terminated by Council.

4.5 COMMUNICATION

Communication between Council and the Committee and any other party will at all times be open, transparent, direct and factual, recognising the need to comply with relevant legislated privacy and confidentiality requirements.

5. Administrative arrangements

5.1 MEETINGS

Governance rules

The Councils Governance Rules adopted under section 60(1) of the Act do not apply to the Committee or the conduct of its meetings.

Frequency and timing

The Committee will meet at least quarterly each year including a special meeting to consider the draft annual financial and performance statements and the results of the external audit.

The frequency and timing of meetings will be developed and agreed to by the Committee each year to ensure that the Committee can properly discharge its responsibilities pursuant to this Charter.

Additional meetings will be convened, as circumstances require.

Extraordinary matters

Where a matter is required to be dealt with by the Committee between meetings, it will be undertaken by circulating resolution. The report outlining the matter and a request to vote on the item will be sent via email.

Meetings closed to public

Committee meetings are closed to the public due to the confidential and sensitive nature of the material being considered by the Committee.

Quorum

A quorum will be half the number of members plus one including at least one Councillor member and two independent members.

In the event that a quorum cannot be achieved for a meeting or a given agenda item, the agenda or item will be deferred to the next available meeting of the Committee unless it is deemed urgent by the attending members, in which case the Chair may call an additional meeting to deal with the item.

Declarations of conflict of interest

The Chair will call for declarations of conflict of interest at the commencement of each meeting. All members with a conflict of interest must:

1. declare that interest including and explanation of the nature of the interest
2. leave the meeting while the matter is being considered and await the Chair's direction to return to the meeting.

If details are private in nature then the nature of the interest can be declared to the Chair in writing prior to the meeting and the disclosure will simply be the type of interest and class.

Voting

All members have full and equal voting rights unless a member is unable to vote due to a conflict of interest.

The Chair may exercise a casting vote if required.

5.2 AGENDAS AND MINUTES

Agendas

Meeting agendas and supporting documentation will be circulated to members at least one week prior to each meeting.

Minutes

Conflicts of interest disclosed at a meeting will be noted in the minutes.

Minutes of each meeting will be prepared and provided to members in draft form for review within two weeks of the meeting.

The minutes, and a report summarising the meeting content, will be reported to a meeting of the Council within two months of the Committee meeting.

5.3 ATTENDANCE AND REMUNERATION

Attendance at meetings

All Committee members are expected to attend each meeting, in person or via teleconference or video conference.

The Chief Executive Officer should attend all meetings except where the Committee is of the opinion that a matter should be discussed privately. In the event that the Chief Executive Officer is absent, the acting Chief Executive Officer may attend the meeting.

All Directors and the Manager Corporate should attend all meetings in an advisory capacity.

Other councillors can attend meetings as observers and may be permitted to participate in discussion of agenda items at the discretion of the Chair.

Council officers may be invited to attend meetings at the discretion of the Chief Executive Officer to advise and provide information to the Committee when required.

Representatives of the external auditor will be invited to attend meetings considering the draft annual financial statements and results of the external audit.

Remuneration

Remuneration, by way of a meeting attendance fee, will be paid to each independent member of the Committee for each meeting they attend. The remuneration is set by resolution of the Council. Any acting Chair appointed by the Committee under section 3.8 will receive the fee set by Council for the Committee Chair.

The remuneration of Committee members will be adjusted annually on July 1 each year and limited to increases in the Consumer Price Index (CPI All Groups Melbourne) June quarter to June quarter of the preceding year, rounded to the nearest five-dollar increment.

Councillor members are not remunerated for their role on the Committee.

5.4 FACILITATION AND SUPPORT

In discharging its functions and responsibilities, the Committee will be supported by the Chief Executive Officer, who will facilitate:

- meetings of the Committee
- provision of relevant explanatory information, records, data and reports considered necessary for the Committee to discharge its duties provided the information is not subject to legal or confidentiality exemptions
- access to auditors and Council officers.

In accordance with section 54(6a) of the Act, the CEO will appoint a Council Officer to provide administrative support to the Committee.

6. Functions and Responsibilities

6.1 COMPLIANCE

To monitor compliance of Council's policies and procedures with the Act, its overarching governance principle and regulations, and any ministerial directions (section 54(2)(a)), the Committee will:

- review and provide advice on Council's governance processes and the procedures in place to ensure that they are operating as intended
- review the effectiveness of the system for monitoring compliance with legislation and regulations and the results of management's investigation and follow up (including disciplinary action) of any instances of non-compliance
- monitor the process for communicating the code of conduct and policies to employees
- monitor Council's policy review program including embedding the Act's governance principles
- review key policies required by the Act for legislative compliance and embedding of the Act's governance principles
- assess the Council's procurement framework with a focus on the probity and transparency of policies and procedures/processes
- receive regular updates regarding compliance matters

6.2 FINANCIAL AND PERFORMANCE REPORTING

To monitor Council's financial and performance reporting (section 54(2)(b)), the Committee will:

- review interim and annual financial reports, and consider whether they are complete, consistent with information known to the Committee members, and reflect appropriate accounting principles
- review with management and the external auditors the results of the annual financial and performance audit, including any difficulties encountered
- review with management and the external auditors all matters required to be communicated to the Committee under the Australian Auditing Standards
- review significant accounting and reporting issues, including significant estimates and judgements, complex or unusual transactions and highly judgemental areas, and recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.
- understand strategies, assumptions and estimates that management has made in preparing financial statements, budgets, and investment plans
- monitor and review the appropriateness of accounting policies and processes and any changes including the method of applying them.

6.3 RISK MANAGEMENT

To monitor and provide advice on Council's risk management systems and controls (section 54(2)(c)), the Committee will:

- review and recommend enhancements to Council's risk management policy, framework and processes and monitor to ensure they are operating as intended
- provide oversight on significant strategic, material and operational risk exposures and control issues, including fraud and corruption risks, governance issues, climate change and other matters needed or requested by senior management and the Council
- receive regular risk reports that provide an overview of the management and monitoring of each strategic and material risk and the identification of new risks to mitigate exposures to Council
- review the adequacy and effectiveness of Council's internal controls responding to risks within the governance, operations and information systems
- maintain an awareness of any significant changes to Council's control environment
- assess whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk
- review whether the Council has a current and active business continuity plan and disaster recovery plan which is tested periodically
- monitor Council's commercial interests, established under sections 110 and 111 of the Act or section 193 of the *Local Government Act 1989*.

6.4 FRAUD AND CORRUPTION

To monitor and provide advice on Council's fraud and corruption prevention systems and controls (section 54(2)(c)) the Committee will:

- ascertain whether fraud risks have been identified, analysed, evaluated, and have an appropriate treatment plan which has been implemented, communicated, monitored and regularly reported on
- provide oversight on and monitor arrangements, programs and controls in place to identify, prevent and deter fraud and corruption including implementation of training programs
- receive reports on potential, suspected and actual cases of fraud and corruption, ensuring reporting to the Council and/or relevant authorities
- monitor investigations undertaken if fraud or corruption is suspected or detected including that appropriate action is taken against known perpetrators of fraud.

6.5 INTERNAL AUDIT

To oversee Council's internal audit function (section 54(2)(d)), the Committee will:

- discuss with Council the appropriate method of provision of the internal audit function
- review and recommend the annual audit plan for approval by Council, ensuring that the plan is prioritised according to material risks
- monitor processes and practices of internal audit to ensure that the independence of the audit function is maintained
- as relevant, meet with the internal auditor to discuss any matters that the Committee or internal auditor believes should be discussed without management being present
- review internal audit report findings, management responses, accountabilities and timelines for corrective actions
- monitor the implementation of internal audit findings and recommendations
- review internal audit performance relative to the audit plan.

6.6 EXTERNAL AUDIT

To oversee Council's external audit function (section 54(2)(d))or, the Committee will:

- note the external auditor's proposed audit scope and approach, including any reliance on internal audit activity
- sight all representation letters signed by management and consider the completeness and appropriateness of the information provided
- at an appropriate meeting, have the external auditor: outline the external audit plan including proposed audit strategies and how they might relate to identified risk areas
- meet with the external auditor for the presentation of the audited financial statements, and the discussion of the results of engagements and recommendations for management

- as relevant, meet with the external auditor, to discuss any matters that the Committee or the external auditor believe should be discussed without management being present
- consider the findings and recommendations of external audits and provide guidance to Council on significant issues identified
- review management's response to the external auditor's findings and recommendations
- monitor the implementation of external audit findings and recommendations
- maintain an awareness of local government performance audits undertaken by the Victorian Auditor General (VAGO) and audits and reviews by other regulatory agencies, and ensure recommendations are brought to the attention of the Council for action/implementation where appropriate.

6.7 WORK PROGRAM

In accordance with section 54(3) of the Act, the Committee will, in collaboration with the Chief Executive Officer, establish an annual work program that includes the timing of reporting of relevant responsibilities outlined in this Charter.

6.8 PERFORMANCE

The Committee will undertake an assessment of its performance against this Charter annually in accordance with section 54(4)(a) of the Act.

The Committee's administrative support officer will assist the Committee to prepare and distribute the self-assessment documentation. The assessment will invite input from each Committee member and senior Council management.

6.9 REPORTING

The Committee will, in accordance with the requirements of the Act, report the following to Council through the Chief Executive Officer:

- annual assessment of performance against the requirements of this Charter (section 54(4)(b))
- a biannual report that describes the Committee's activities, findings and recommendations (section 54(5)(a))
- the minutes of each Committee meeting (section 54(6)(b))

7. Approval

THE COMMON SEAL OF THE
ALPINE SHIRE COUNCIL was
hereunto affixed this 25 day of August
2020
in the presence of:

KNAPPSTEIN K.
COUNCILLOR

Donl Pa
COUNCILLOR

AK
CHIEF EXECUTIVE OFFICER